

## Message Text

CONFIDENTIAL

PAGE 01 LIMA 08641 201713Z

62

ACTION ARA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 TRSE-00 INT-05 EB-07

COME-00 L-03 CIAE-00 INR-07 NSAE-00 AID-05 OMB-01

SS-15 NSC-05 SP-02 /080 W  
----- 052927

R 172300Z OCT 75  
FM AMEMBASSY LIMA  
TO SECSTATE WASHDC 7260  
INFO AMEMBASSY SEOUL  
AMEMBASSY BUCHAREST  
AMEMBASSY CARACAS  
USEC BRUSSELS 096

CONFIDENTIAL LIMA 8641

E.O. 11652: GDS  
TAGS: EIND, EINV, PFOR, PE  
SUBJECT: MARCONA - STATUS OF HIERROPERU'S EFFORTS TO SELL  
IRON ORE

REFS: A) LIMA 8596, B) LIMA 8579

1. THOMAS KEHOE, LOCAL MARCONA REPRESENTATIVE, REVIEWED STATUS OF GOP EFFORTS TO SELL IRON ORE FROM THE NATIONALIZED MARCONA MINE (NOW HIERROPERU) WITH EMBASSY OFFICERS ON OCTOBER 17. TO DATE, KEHOE SAID, HIS INFORMATION LEADS HIM TO CONCLUDE THAT NO IRON ORE HAS YET BEEN SHIPPED FROM MINE SITE TO FOREIGN PURCHASERS. COUNTRY BREAKDOWN FOLLOWS:

A. VENEZUELA - GOV IS VERY INTERESTED IN BUYING PELLETS BUT NO AGREEMENT HAS YET BEEN FINALIZED. ACCORDING TO KEHOE, HIERROPERU'S PRESIDENT BOSSIO HAS OFFERED A PRICE OF \$14 A TON. KEHOE EXPLAINED THAT IF THE GOP IS UNABLE TO SELL ANY ORE AT THIS PRICE, IT MIGHT REDUCE THE PRICE SUBSTANTIALLY TO ATTRACT OTHERWISE RELUCTANT CUSTOMERS. HOWEVER, THE VENEZUELAN ARE CONCERNED THAT IF THE GOP SHOULD DECIDE TO DUMP ITS ORE, INCLUDING PELLETS, THIS COULD HAVE

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PAGE 02 LIMA 08641 201713Z

DEPRESSING EFFECT ON WORLD MARKET PRICE, INCLUDING CINTER FEED.

(VENEZUELA APPARENTLY PRODUCES MORE CINTER  
FEED THAN PERU.) THUS, ACCORDING TO FOREGOING ANALYSIS,  
VENEZUELANS WOULD BE WILLING TO PURCHASE PELLETS AT A HIGHER  
PRICE TO PROTECT THEIR MARKET.

B. ROMANIA - THE ROMANIANS HAVE SIGNED AN AGREEMENT  
TO PURCHASE 25,000 TONS OF ORE. ORE WOULD BE  
SHIPPED ON ROMANIAN VESSELS. NO ORE HAS BEEN SHIPPED  
YET, AND THIS DEAL MAY INVOLVE OTHER ROMANIAN INTERESTS  
IN PERU, INCLUDING PERUVIAN PURCHASE OF ROMANIAN-BUILT  
RAILROAD CARS.

C. CANADA - KEHOE CONFIRMED THAT PICKANDS-MATHER  
HAS EXPRESSED INTEREST IN PURCHASING PELLETS FOR ITS CANADIAN  
SUBSIDIARY.

D. SOUTH KOREA - KEHOE ALSO SAID THAT THE ROK HAD  
DISCUSSED PURCHASES WITH HIERROPERU BUT DID NOT KNOW IF  
ANY AGREEMENT HAS BEEN REACHED.

E. WESTERN EUROPEANS - KEHOE SAID THAT HIERROPERU  
MANAGEMENT IS CONSIDERING SENDING A REPRESENTATIVE TO  
LONDON NEXT WEEK TO SOUND OUT BRITISH (AND POSSIBLY  
OTHER WESTERN EUROPEANS) ON POSSIBLE PURCHASES. (SEE  
SEPTEL ON ALLEGED EC INTEREST IN PURCHASING ORE.)

2. SPARE PARTS - KEHOE SAID THAT HIERROPERU'S MANAGEMENT--  
MENT WISHES TO BUY SPARE PARTS FROM THE MINE FROM A  
NEW ORLEANS CONCERN, BUT HAS REFUSED TO DEAL DIRECTLY  
THROUGH MARCONA AND PREFERS, AT HIGHER COST, TO GO  
THROUGH A THIRD PARTY. IN THIS REGARD, SPARE PARTS  
PURCHASES HAVE ALSO BEEN HELD UP BECAUSE OF FAILURE OF  
HIERROPERU TO SIGN NECESSARY LETTERS OF CREDIT, WHICH  
MAY BE INDICATION OF LACK OF READY CASH TO MAKE SUCH  
PURCHASES.

3. STATUS OF MINE - MINE HAS NOW STOCKPILED TWO MILLION  
TONS OF ORE. BECAUSE OF THE ABNORMAL WEIGHT OF THE  
STOCKPILE, SOME PORTION OF THE PELLETS MAY BE DAMAGED  
AND UNUSABLE, AND THE PERCENTAGE OF FINES GREATLY INCREASED.

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PAGE 03 LIMA 08641 201713Z

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## Message Attributes

**Automatic Decaptoning:** X  
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**To:** STATE  
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